



# FLEXIBLE SPENDING ACCOUNTS

- ✓ Reduce your taxes
- ✓ Save money

**Health Care Expenses**  
(medical, dental, vision)

**Dependent Care Expenses**  
(child care, adult care)

## How do the Flexible Spending Accounts work?

You decide how much to set aside in each account for the year up to the maximums in each plan. This is called your "annual election." Your annual election will be divided by the number of paychecks you expect to receive next year. Your compensation will be reduced by this amount each paycheck to fund the accounts.

After you have incurred a qualifying expense, you will file a claim with ASI, the State's administrator. ASI will reimburse you for the claimed amount. ASI processes claims daily, no later than the 1<sup>st</sup> business day after they receive your claim. An expense is considered incurred when the services are provided or the products are ordered. This may or may not be the same time that you are billed or pay for the services or products.

**Expenses must be incurred during the calendar year for dependent care claims, and through March 15 following the calendar year for health claims.**

You should include only those expenses that you are sure you will incur when figuring your election, since any amount you do not incur for qualifying expenses cannot be returned to you. You can use the worksheets in this flyer to help you plan your elections.

## What are the maximums?

The health care maximum is stated in your plan document & summary plan description.

The dependent care maximum is \$5,000 per family for single and married employees (\$2,500 if married and filing separate tax returns). However, you may not elect an amount that is more than your spouse's earned income (if married) or more than half your earned income.

## Can I claim these expenses on my tax return?

You cannot claim the items reimbursed to you through the flexible spending account on your tax return. Health care expenses paid through the flexible spending account are 100% tax exempt. On your tax return, medical expenses are only deductible to the extent they exceed 7.5% of your adjusted gross income.

## Save \$28 or more for every \$100 you put in the Flexible Spending Accounts!

Assume you have a family income of \$36,000 and will have at least \$2,000 in qualifying expenses next year.

Without a Flex Plan		With a Flex Plan
\$36,000	Annual Compensation	\$36,000
<u>0</u>	Tax free expenses	<u>\$ 2,000</u>
\$36,000	Taxable income	\$34,000
-2,754	FICA @ 7.65%	\$ 2,601
-5,400	Federal Income Tax 15%	\$ 5,100
<u>-2,160</u>	State Income tax 6%	<u>\$ 2,040</u>
\$25,686	Net pay check	\$24,259
<u>-2,000</u>	After tax expenses	<u>0</u>
\$23,686	Actual take home pay	\$24,259
	Net cash savings	<b>\$ 573</b>

This is just an example. The savings will vary for each participant. Calculate your own potential savings using your marginal tax bracket.

Consult your tax advisor if you have any questions at all.

## Which is better -- flex spending plan or Child Care Credit?

Generally, those families with an adjusted gross income of \$31,000 or more or who spend more than \$3,000 on care for only one child in day care will save more with the flexible spending plan. However, you should check with your tax advisor concerning your circumstances. You cannot use the credit for any amounts reimbursed through the plan.

## Can I change my election?

Generally no. However, there are a few situations that will allow you to make a change. These situations are very limited. Please refer to the Summary Plan Description for a list of situations or contact your personnel assistant. You should plan on not being able to make a change during the year. Your election will terminate at the end of each year. To continue participation, you will need to make a new election each year during open enrollment.

## How and when do I enroll?

You can enroll within 30 days of hire or during the fall enrollment and change period. Complete an enrollment form and return it to your personnel assistant prior to the enrollment deadline. Forms are available from your personnel assistant or on the web. Current participants will receive fall enrollment forms from ASI in the mail.

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## Eligible Health Care Expenses

Medical expenses as defined in Section 213 of the Internal Revenue Code (except insurance premiums and long-term care expenses) that are not paid by any insurance. For further information, refer to ASI's web site, [www.asiflex.com](http://www.asiflex.com). Included are such things as:

- Eye exams, contact lenses, contact lens solution, glasses, LASIK surgery
- Dental exams, cleaning, fillings, crowns, braces
- Chiropractic care
- Drugs, medicines, and insulin
- Hearing aids and exams
- Routine doctor visits
- Co-pays and deductibles

A dependent does not have to be covered on your insurance plan to incur eligible expenses. You need only count a person as a dependent on your income tax form for the person to incur claims.

## Ineligible Health Care Expenses

Insurance premiums, warranties, service agreements, cosmetic procedures or products, health club dues, over-the-counter vitamins, herbs & nutritional supplements (if purchased only for general good health purposes).

## Dependent Care Expenses

Child and/or adult dependent care expenses you incur that enable you to work. If you are married, your spouse must also work or be a full-time student. You must claim the dependent on your tax return. If you are divorced, you must be the custodial parent, but are not required to claim the exemption. Your child must be under 13 or if care is for an older person he/she must be incapable of self care. Refer to IRS publication 503 for more information.

### Eligible Expenses

- Day care centers (must comply with state and local laws)
- Babysitters
- Pre-school (before Kindergarten)
- General-purpose day camps

### Ineligible Expenses

- Food, transportation, or activity fees
- Education expenses (Kindergarten or higher)
- Overnight camps (including day time portion)

### Care provider cannot be:

- Your spouse or any dependent
- Your child under the age of 19
- Private school tuition (Kindergarten or higher)

## Worksheets

### Health Care Expenses

Estimated medical, dental, vision expenses

Orthodontics and Dental \_\_\_\_\_

Glasses, contacts, solutions \_\_\_\_\_

Deductibles \_\_\_\_\_

Co-pays \_\_\_\_\_

Prescription medicines \_\_\_\_\_

Other medical \_\_\_\_\_

Total health care expenses

### Dependent Care Expenses

Day Care Center \_\_\_\_\_

Babysitters \_\_\_\_\_

Day camp \_\_\_\_\_

Pre-School \_\_\_\_\_

Before/After School care \_\_\_\_\_

Total dependent care expenses

Be sure to consider summer vacations when you make your estimate.

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If you have questions concerning eligible expenses or claims procedures, call ASI at 800-659-3035 or send an email to [asi@asiflex.com](mailto:asi@asiflex.com). For automated information, call 800-366-4827.

Please read the Summary Plan Description available from your personnel assistant or at [http://das.iowa.gov/benefits\\_flex\\_spending.html](http://das.iowa.gov/benefits_flex_spending.html)